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SUBJECT: IRAQ OIL, MAYSAN PROVINCE: AN ALLOTMENT? REPLACE
SENIOR OIL OFFICIAL?

REF: BAGHDAD 2547

Classified By: Economic Counselor John Carwile for reasons
1.4 (b) & (d)

An Allotment from Oil Production? . . . Could Be Lucrative

¶1. (U) On December 3, on the margins of a meeting hosted by Deputy Chief of Mission Ford, the Second Deputy Governor of Maysan Province Khalid Abdulwahid Qubian told Econoff the Baghdad federal government was considering allotting the Maysan provincial government -- as a "deprived region" under article 112 of the Iraqi Constitution -- 50 cents for every barrel of oil produced from Maysan's fields.

¶2. (U) Comment: Since the production from Maysan's current oil fields is only 85,000 barrels per day, the current allotment would be only about \$15.5 million per year. However, if Halfaya oil field is awarded during Iraq's second bid round on December 11-12 or Maysan's current oil fields are developed to their full potential, this allotment could be over ten times larger. End Comment.

¶3. (C) Deputy Governor Khalid did not seem to know that Maysan's Halfaya oil field will be offered in the second bid round and could offer no insight into the economic benefits for Maysan Province if the field were awarded.

¶4. (U) Comment: He noted with interest this inquiry about Halfaya and seemed poised to investigate it further. Given the tremendous revenue and employment generation possible from Iraq's oil fields, we encourage provincial officials to promote the development of oil fields in their provinces, especially by expediting and facilitating the significant foreign investment such projects can bring to their provinces. End Comment.

Replace Senior Oil Official? . . . Another Test of the PPL?

¶5. (C) Perhaps by way of explaining his lack of knowledge about the upcoming bid round, Deputy Governor Khalid pointed out that the petroleum department was the only department of the Maysan provincial government not cooperating with the rest of the provincial government. He also said the performance of the senior oil official in the Maysan provincial government was inadequate and the provincial government was trying to replace him with an Iraqi expatriate currently residing in London (the senior oil official in each province is a federal employee of the Ministry of Oil (MOO) and has authority over the provincial petroleum department; this official has been called a "director general" in other

reporting).

¶6. (C) Comment: Under the Provincial Powers Law (PPL), enacted in 2008, a Provincial Council (PC) has the authority to remove "senior federal officials" working in its province.

Therefore, the Maysan PC appears to have the authority to remove this oil official for cause. However, in at least one similar case, in Diyala province earlier this year, MOO claimed the senior oil official, as its employee, was exempt from the PPL's delegation of authority to PCs. In that case, MOO refused to recognize the PC's authority to remove a MOO employee, citing the General Companies Law of 1997 as exempting MOO employees from the reach of the PPL. The Federal Supreme Court has not ruled on this issue, and PCs have been reticent to challenge the federal government. End Comment.

HILL